



MEMORANDUM

TO: Water Resources Commission

FROM: Lisa Snyder, Administrative Services Administrator
Kim Ogren, Water Resources Development Program Manager

SUBJECT: Agenda Item B-1, August 17, 2017
Water Resources Commission Meeting

Water Resources Development Program 2017-2019 Recommended Spending Plan

I. Introduction

The Water Resources Development Program seeks to help address instream and out-of-stream water needs now and into the future, primarily through Place-based Integrated Water Resources Planning (Place-Based Planning), Feasibility Study Grants, and Water Project Grants and Loans. During this agenda item, staff will request feedback from the Commission on the recommended 2017-2019 spending plan for Feasibility Study Grants and Water Project Grants and Loans.

II. Background

Consistent with the 2012 Integrated Water Resources Strategy (IWRS), the Water Resources Development Program includes three funding opportunities: Place-Based Planning (IWRS action 9A), Feasibility Study Grants (IWRS action 13D), and Water Project Grants and Loans (IWRS action 10E). Table 1 summarizes the funding available in the 2015-2017 biennium, total awards made, and funds carried forward and available to award in the 2017-2019 biennium.

Table 1. 2015-2017 Biennium Water Resources Development Program Expenditures

	2015-2017 Funds Available	Obligated	Declined	Unobligated Carryforward
Place-Based Planning	\$750,000	\$750,000	\$0	\$0
Feasibility Study Grants	\$2,773,716	\$2,177,712	\$23,358	\$619,362
Water Project Grants and Loans	\$14,000,000	\$8,891,118	\$0	\$5,108,882
<i>Direct Appropriation**</i>				
Umatilla Basin - Port of Morrow	\$11,000,000	\$11,000,000	\$0	\$0

* Two grant awards were declined by the grant recipients.

** In addition to the Umatilla project, the Department received \$1 million for Mosier well repairs. Allocation of those funds is managed by the Technical Services Division. Updates on the Umatilla Basin and Mosier Creek projects are included in the Director's Report (Agenda Item I).

Table 2 lists the unobligated carryforward from 2015-2019, new appropriations from the 2017 Legislative Session, and the total funding available to award in the 2017-2019 biennium.

Table 2. 2017-2019 Biennium Water Resources Development Program Available Funds

	2015-2017 Unobligated Carryforward	2017-2019 Appropriations	2017-2019 Funds Available to Award
Place-Base Planning	\$0	\$0	\$0
Feasibility Study Grants	\$619,362	\$1,905,438	\$2,524,800
Water Project Grants and Loans	\$5,108,882	\$15,000,000	\$20,108,882
<i>Direct Appropriations</i>			
Umatilla Basin - Port of Morrow	\$0	NA	\$0
City of Carlton	NA	\$4,500,000	\$4,500,000
Santiam Water Control District	NA	\$1,200,000	\$1,200,000

III. Place-Based Planning

Place-Based Planning empowers communities to work collaboratively, in partnership with the state, to understand their water resources needs and identify potential solutions to meet those needs. The 2015 Legislature provided \$750,000 for the Department to pilot Place-Based Planning. All funds are obligated to supporting four pilots. A more detailed discussion of expenditures of Place-Based Planning funds and an update on the pilot efforts are included in Agenda Item F.

IV. Feasibility Study Grants 2017-2019 Recommended Spending Plan

Feasibility Study Grants cover up to 50 percent of the costs of studies to evaluate the feasibility of developing water conservation, reuse, and storage projects. The Commission awarded 31 grants over the course of three funding cycles in the 2015-2017 biennium. However, two grant awards were declined, resulting in funding of 29 studies totaling \$2,154,354.

As outlined in Tables 1 and 2 above, the Department has roughly \$620,000 carryforward from the 2015-2017 biennium available for future awards. The 2017 Legislature authorized an additional \$1.5 million in Lottery Bond proceeds and \$405,000 in General Fund dollars, resulting in a total of \$1.9 million in new appropriations for the program. Combined with the carryforward dollars, there is \$2,524,800 in funding available in 2017-2019.

The Department intends to only offer one funding cycle for Feasibility Study Grants, with applications due in 2018. This differs from past biennia where the Department offered two cycles per biennia (in 2009-2011, 2011-2013, and 2013-2015) and three cycles in the 2015-2017 biennium. This decision to host one funding cycle is primarily due to concerns about the Department's capacity to manage current grants and staff additional cycles with only 0.25 FTE, down from a full FTE in 2015-2017. Depending on staff and manager resources, the Department also intends to take advantage of the pause in funding cycles in order to conduct a review of the

nearly 10-year-old program. Given the plan to only offer one funding cycle, the Department intends to provide extra notice about the funding application deadline.

V. Water Project Grants and Loans 2017-2019 Recommended Spending Plan

Water Project Grants and Loans allows the state to invest in projects that meet instream and out-of-stream water supply needs, while also resulting in economic, environmental, and social/cultural public benefits. Prior to the 2017 Legislative Session, the Legislature had authorized \$14 million for competitive Water Project Grants and Loans; \$7.75 million in 2013 and \$6.25 million in 2015. The Commission adopted administrative rules (Division 93) in June 2015 and awarded nine grants totaling nearly \$8.9 million in May 2016, carrying forward \$5 million for awards in 2017. The 2017 Legislature authorized an additional \$15 million in Lottery Bond proceeds. Therefore, in total, the Commission has approximately \$20 million to award over the next few cycles.

Table 3 outlines the funding amount the Department recommends be awarded during different funding cycles.

Table 3. Water Project Grants and Loans Spending Plan Overview

Anticipated Application Deadline	Anticipated Award Date	Proposed Award Spending
April 2017	November 2017	\$5-\$6 million
April 2018	November 2018	\$8-\$10 million
April 2019	November 2019	\$3-\$5 million
<i>Total Funding Available to Award (17-19)</i>		<i>~\$20 million</i>

The recommended spending plan for this funding opportunity aims to:

- *Communicate potential fund availability during different funding cycles* – Potential applicants often inquire about the amount of funds available for award. The plan communicates what dollar amount the Department anticipates it will recommend for funding each year, including this fall.
- *Ensure funds are available for grantees and loan recipients to access* – The Lottery Bond dollars authorized by the 2017 Legislature are not slated to be sold and deposited in the Department’s account until the spring of 2019. Therefore, for the 2017 funding cycle, the Department recommends the Commission award no more than approximately \$1 million over the \$5 million currently in the account.
- *Ensure that funds are expended within three years of bond issuance* – Revenue from Lottery Bonds must be expended within three years of bond issuance and project implementation can take a couple of years; therefore, the plan proposes to award most of the funds from bonds sold in spring 2019, during the 2018 funding cycle.

- *Promote loan applications* – For the first two review cycles, the Commission and Department did not set aside specific dollar amounts to award as grants or loans. The Department received no loan applications in the 2016 cycle and only three in the 2017 cycle. Shifting towards awarding more loans will help make Water Project Grants and Loans a more sustainable funding opportunity that can reinvest loan repayments and become less dependent on new Lottery Bond allocations. The Department believes that setting aside funds for loans will help incentivize loan applications. Therefore, starting with the 2018 funding cycle, the Department recommends setting aside no less than 50 percent of available funding to loans.

VI. Summary

This staff report summarizes the timing of funding cycles and dollar values it recommends the Commission follow in the 2017-2019 biennium. For Feasibility Study Grants the Department presents a plan to host one funding cycle and conduct a program review. For Water Project Grants and Loans the Department presents a plan to offer one application cycle per year with funding decisions in November 2017 (\$5-\$6 million), 2018 (\$8-\$10 million, with no less than 50% awarded as loans), and 2019 (\$3-\$5 million, with no less than 50% awarded as loans). Staff will engage the Commission in a discussion on this proposed spending plan.

Lisa Snyder
503-986-0921

Kim Ogren
503-986-0873